

Morgan Stanley

Global Consumer & Retail Conference



Pierre-André Terisse
CFO

New York, 18 November 2008

A Unique Mission

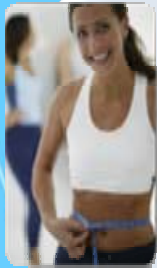


**Treating
Immunity
infection &
Allergies**

**Treating
malnutrition**



**Bring health
through food
to the largest number
of people**



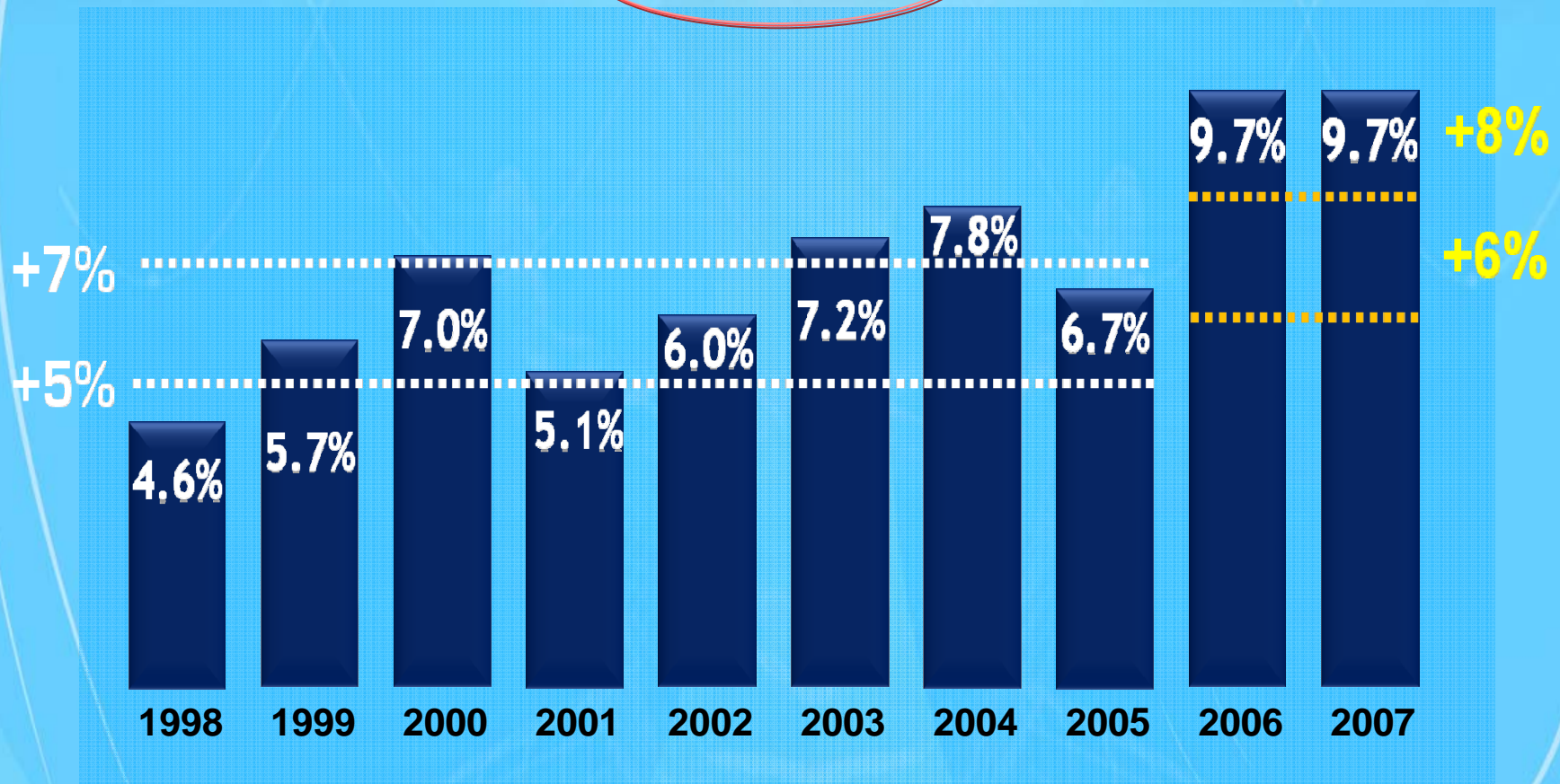
**Measuring
stomach
distention**

**Effects
of
dehydration
on performances**



Danone has been successful and performing well over the past 10 years

CAGR(*): +6.9%

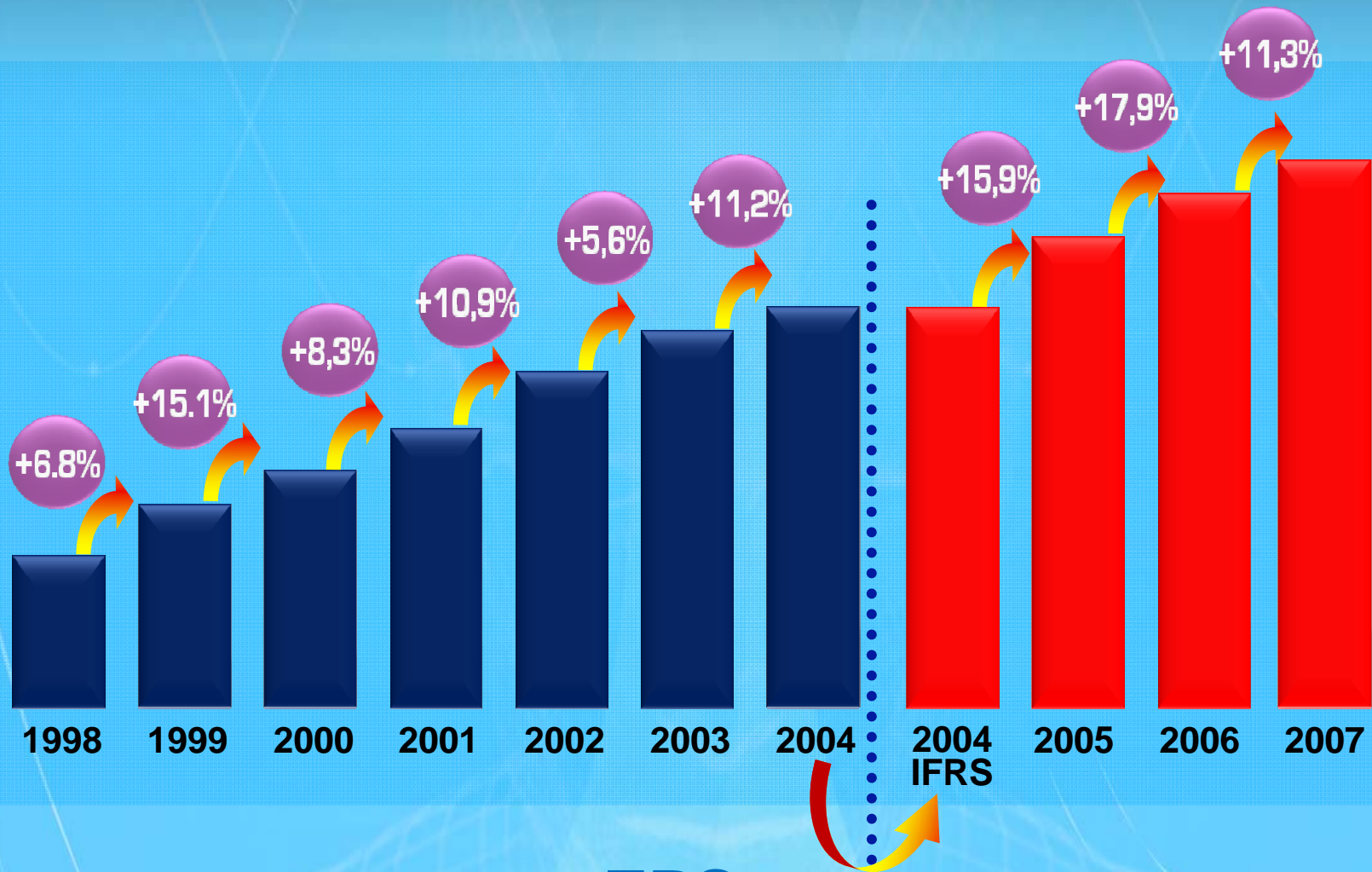


Danone has been successful and performing well over the past 10 years

+40 bps annual margin progression
for the last 10 years



Danone has been successful and performing well over the past 10 years

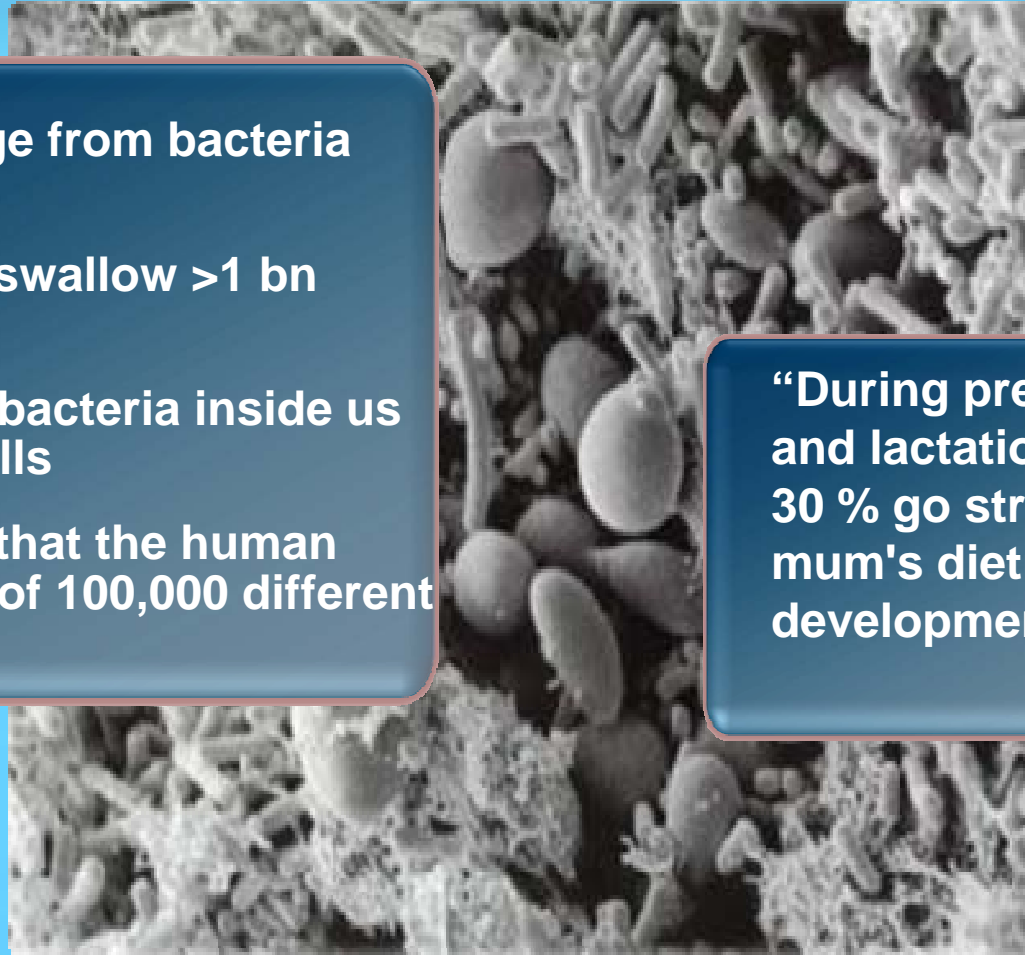


EPS

Health is more true than ever

- Humans emerge from bacteria cells
- Every day, we swallow >1 bn bacteria
- 10 times more bacteria inside us than human cells
- It is estimated that the human body consists of 100,000 different bacteria

“During pregnancy and lactation period , 30 % go straight from mum's diet to baby development.”



A Unique Science to Consumer Model



Strong Blockbuster Brands

- Dairy: Activia, Actimel, Danonino, Vitalinea, Danacol
- Water: Evian, Bonafont, Volvic
- Baby: Aptamil, Bebelac
- Medical: Neocate, Fortimel

Health & Science

- 1200 Danone Research employees
- 50 clinical studies in 2008
- Danone as a center of a network of KOLs and stakeholders

Geographical expansion

- 700 million consumers every month

DAIRY – outperforming the category



H1
+ 28%

	Dairy	Blockbusters	Delta
2004	10.5%	21.3%	10.8%
2005	7.0%	13.8%	6.8%
2006	9.2%	16.1%	6.9%
2007	12.2%	17.4%	5.2%
Average	9.7%	17.2%	7.4%



H1
+ 10%



H1
+ 7%

Relative growth +5%

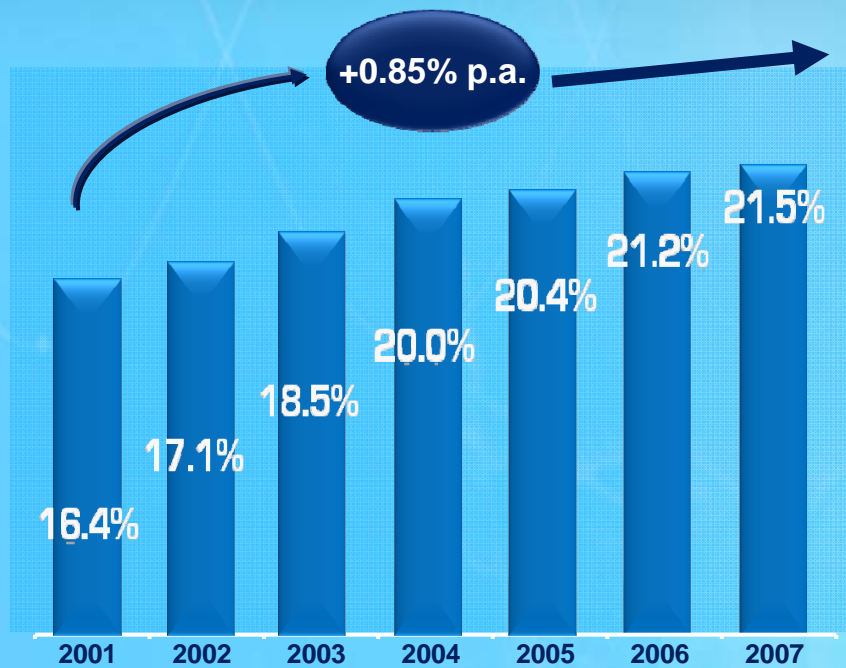
Mix +1.5%

Margin Dairy ↗



H1
- 4%

DAIRY – outperforming the category

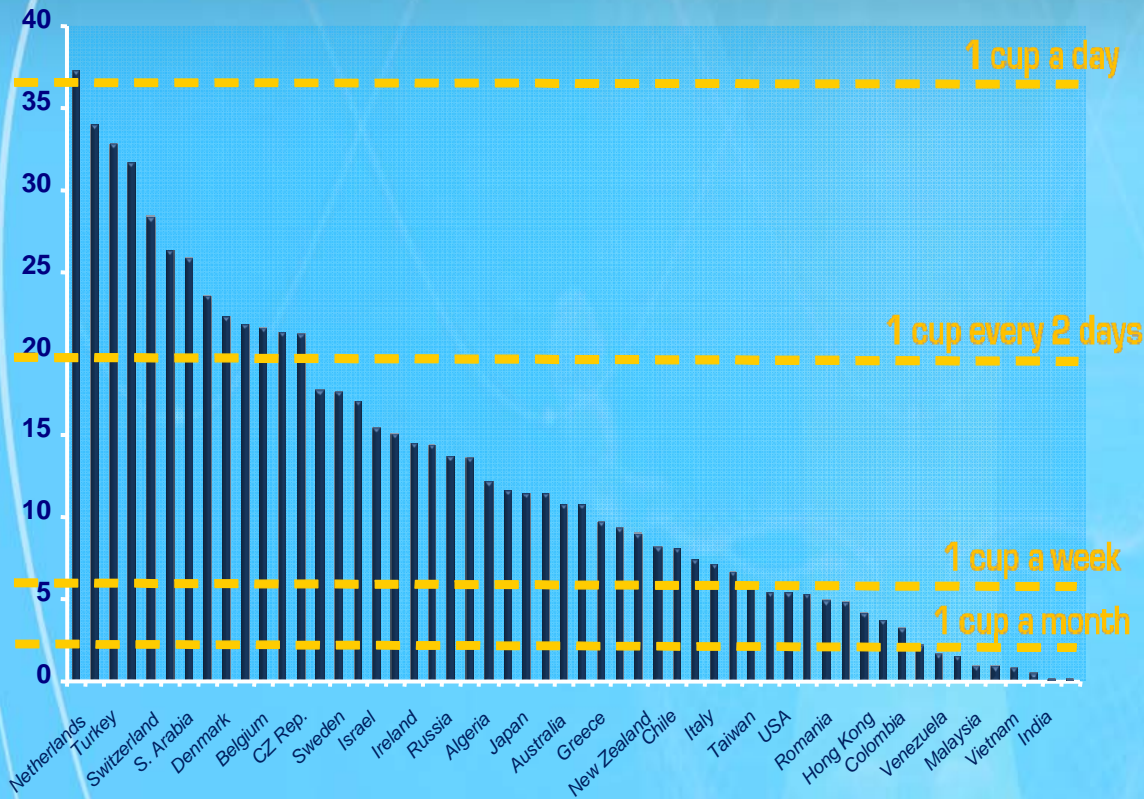


MS gain +0.85 pt



Growth + 3%/+4%

DAIRY – outperforming the category



Chile – 17 mln
H1 +24% sales



Ukraine – 47 mln
H1 +41% sales



Egypt – 74 mln
H1 +71% sales

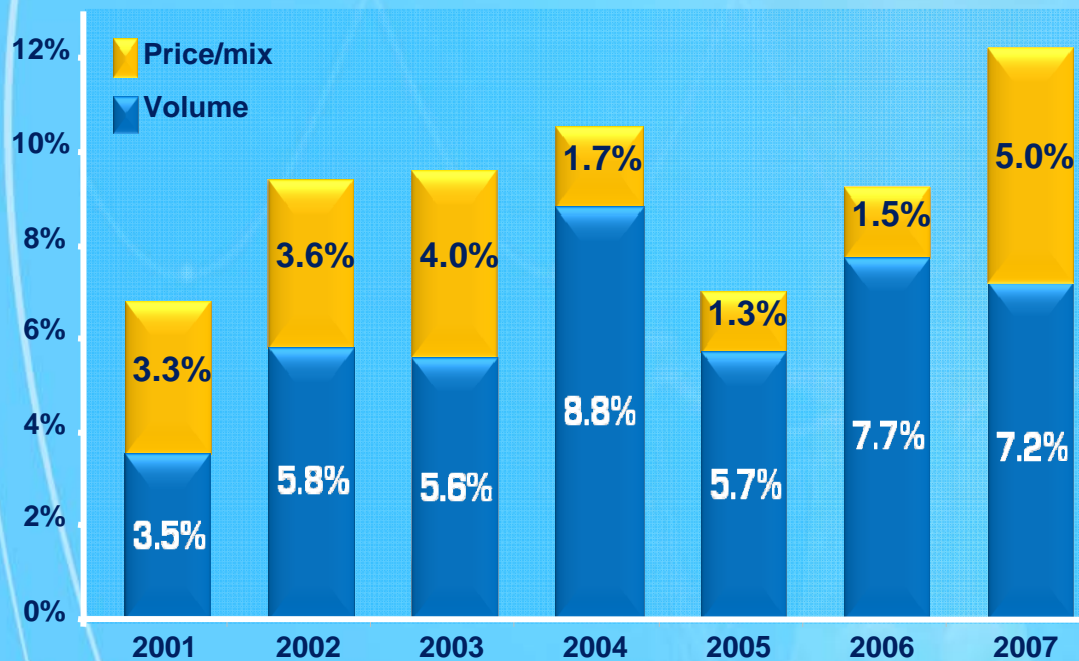


China
Dairy + beverages
1.3 bn inhabitants



Thailand
Dairy
65 mln inhabitants

DAIRY – outperforming the category



DAIRY MT EQUATION

Market growth	5.7%
Market share growth	3.5%
Sales growth 04-08	9.2%
Volume growth	6.2%
Mix	1.5%
Price	1.5%
Sales growth 04-08	9.2%

WATERS – Two growth clusters: Industrialised Countries vs Emerging Countries



WATERS – Two different environments:

Industrialised Countries

- Category vilified
- Tap water is an alternative
- Economic slowdown

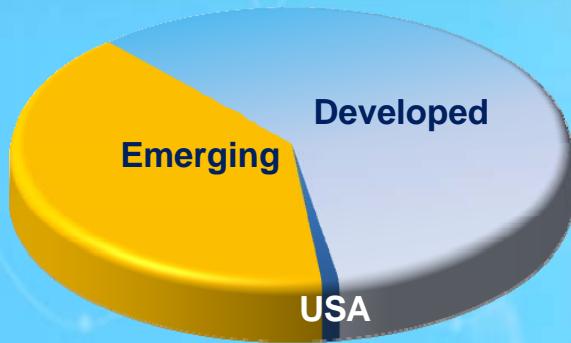


Emerging Countries

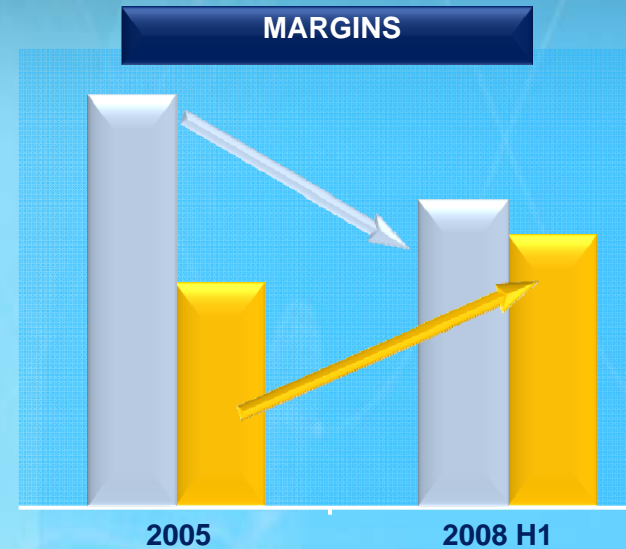
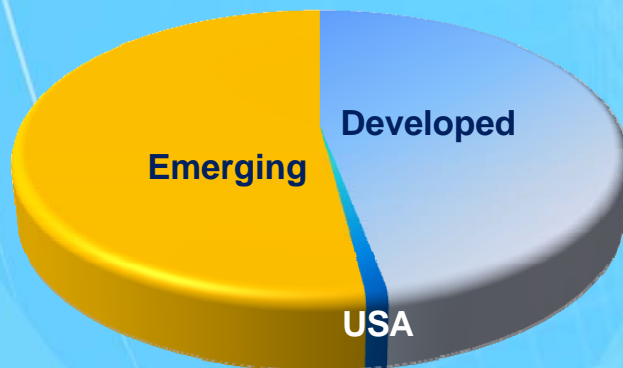
- Category = Safety / health
- Bottled water & jugs are essential
- Low per capita consumption



WATERS – Growth patterns and geographic mix develop accordingly



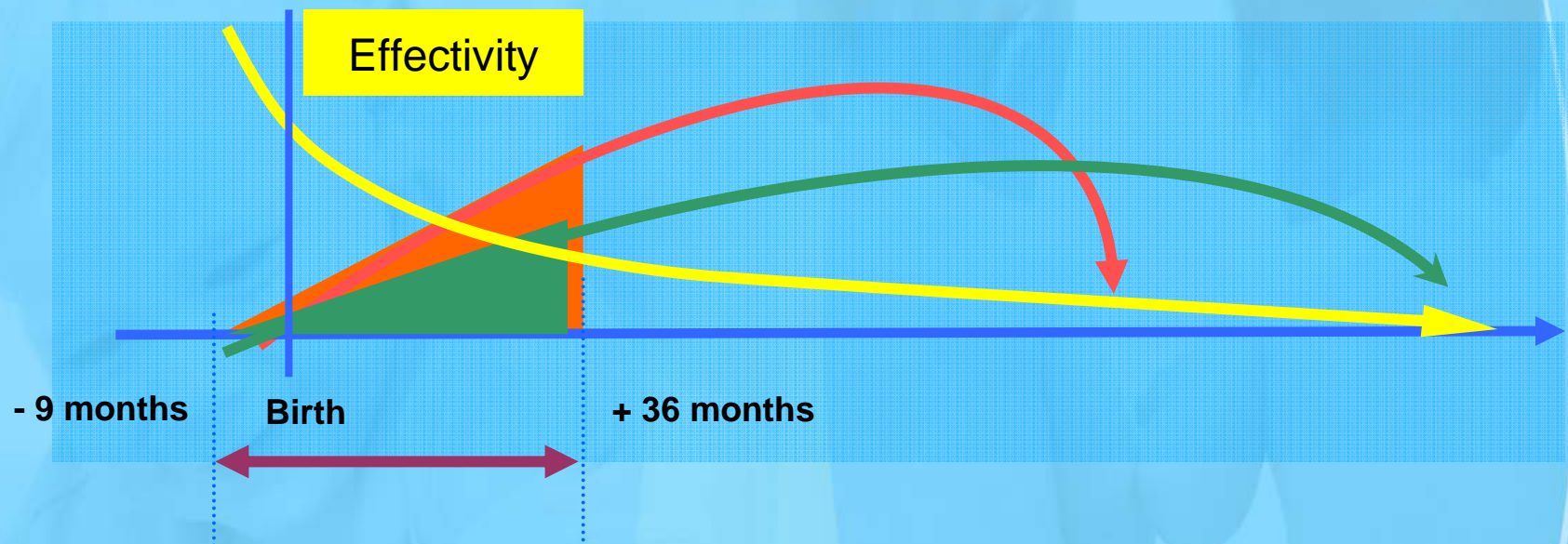
Water 2008



WATER EQUATION	DEVELOPED EMERGING SALES		
	2005	1.1%	13.8%
2006	5.2%	11.4%	7.7%
2007	0.2%	13.9%	6.2%
2008 YTD	-5.5%	12.8%	3.0%
MT SALES	2.0%	10.0%	7.0%

All figures exclude WAHHA sales

BABY – Setting the course for a healthy life

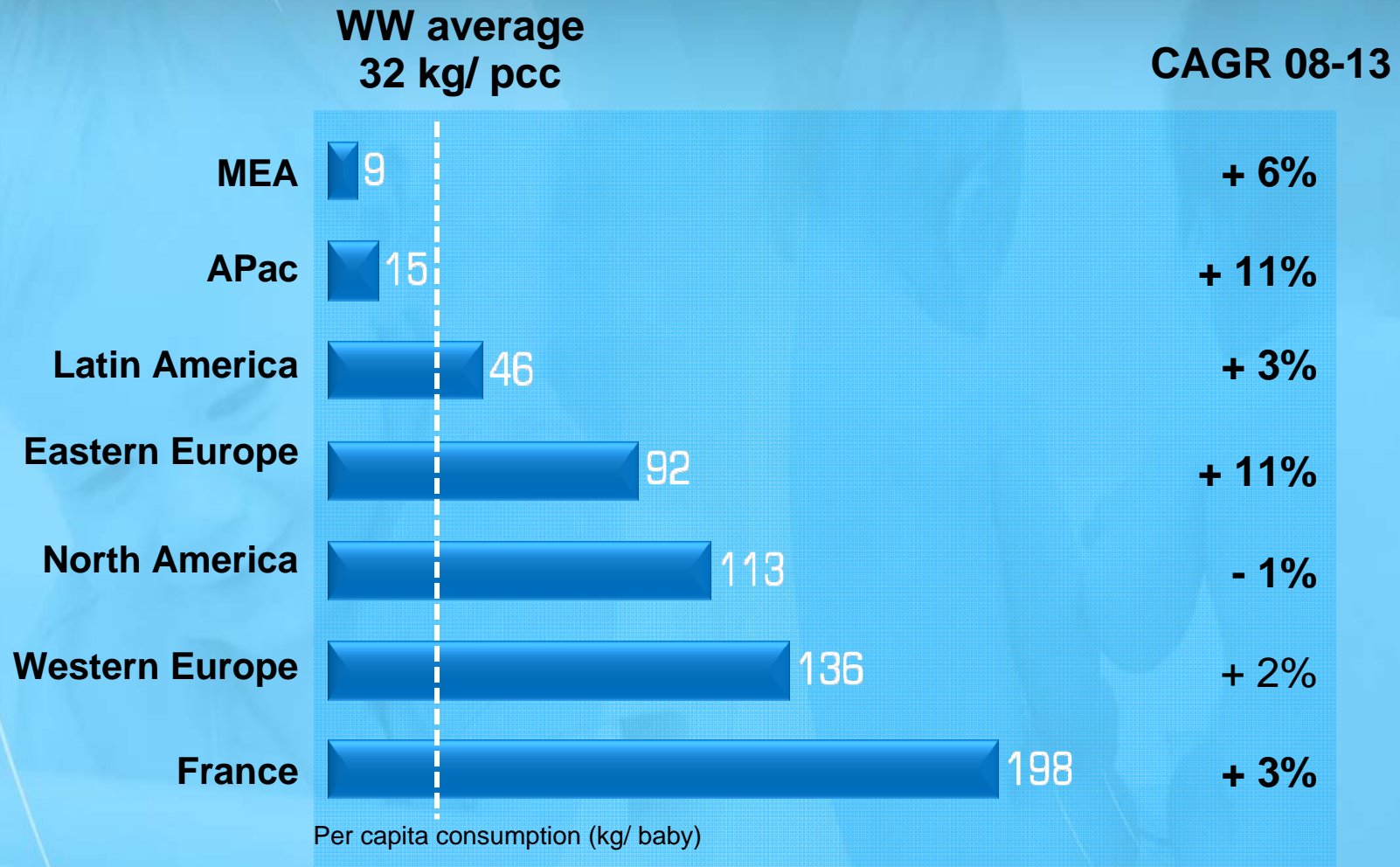


Growth & Metabolism
Brain and Eye
Allergy
Infection
Taste Development

Allergy
Obesity
Coronary Heart Disease
Diabetes

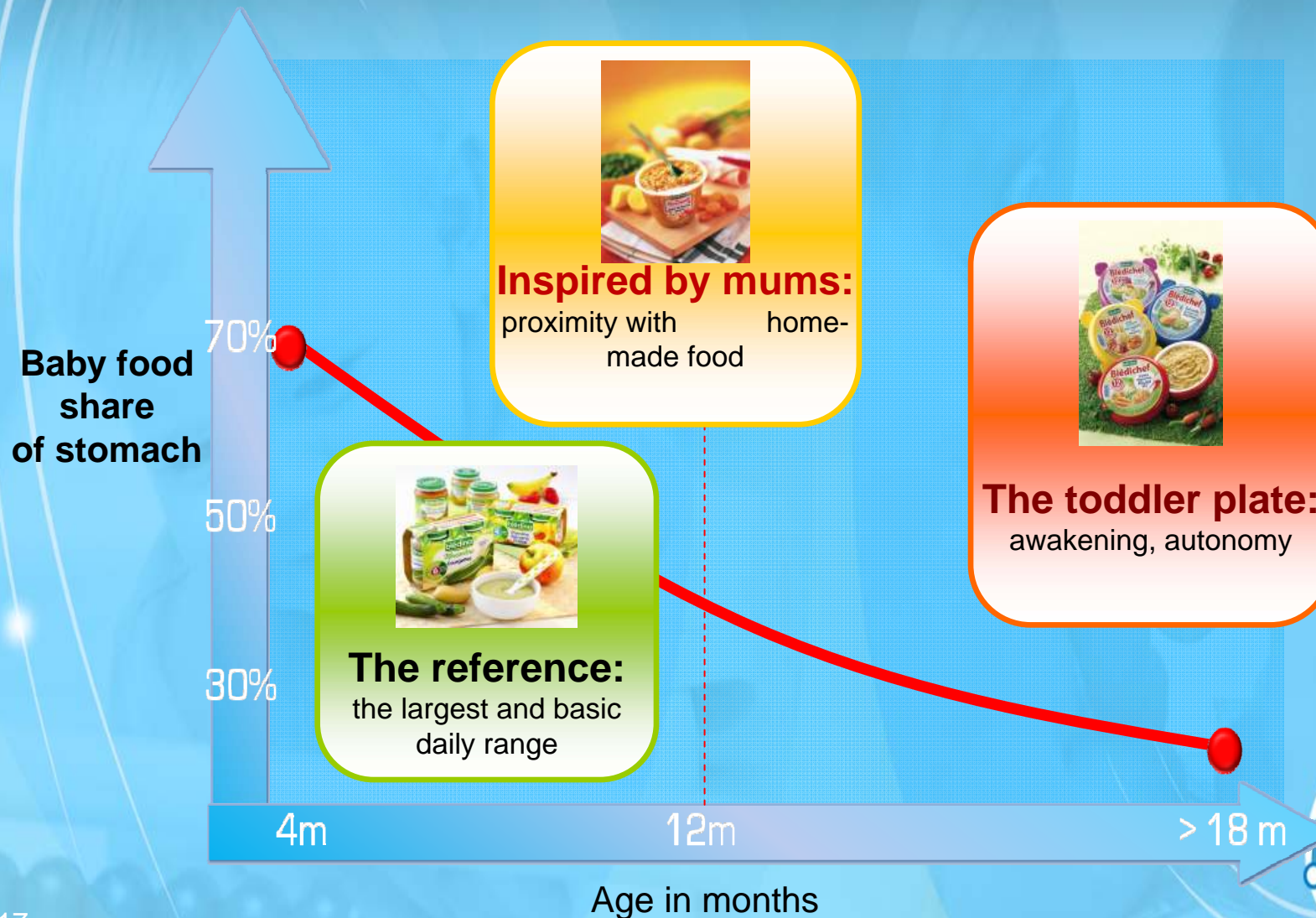
Health

BABY – The PCC opportunity remains huge across major markets



Source: Euromonitor for regional pcc and growth data; Nielsen data for France pcc

BABY – Providing a range for all ages, breaking barriers to consumption

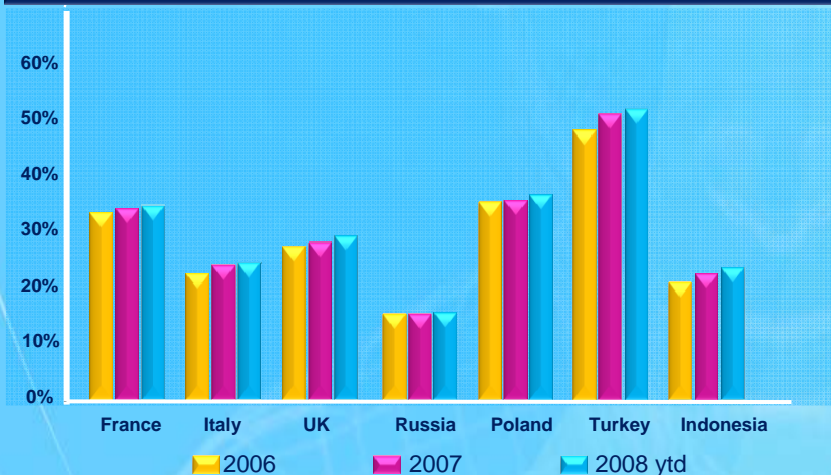


BABY – Accelerate the category

Accelerating growth...

	2004	2008 ytd
W-Europe	+4.4%	+7.7%
E- Europe	+24.3%	+28.9%
Asia	+9.7%	+25.7%

... based on mkt mix and MS growth



BABY DYNAMIC

Category **+5.5%**

Geo mix **Asia & EEC**

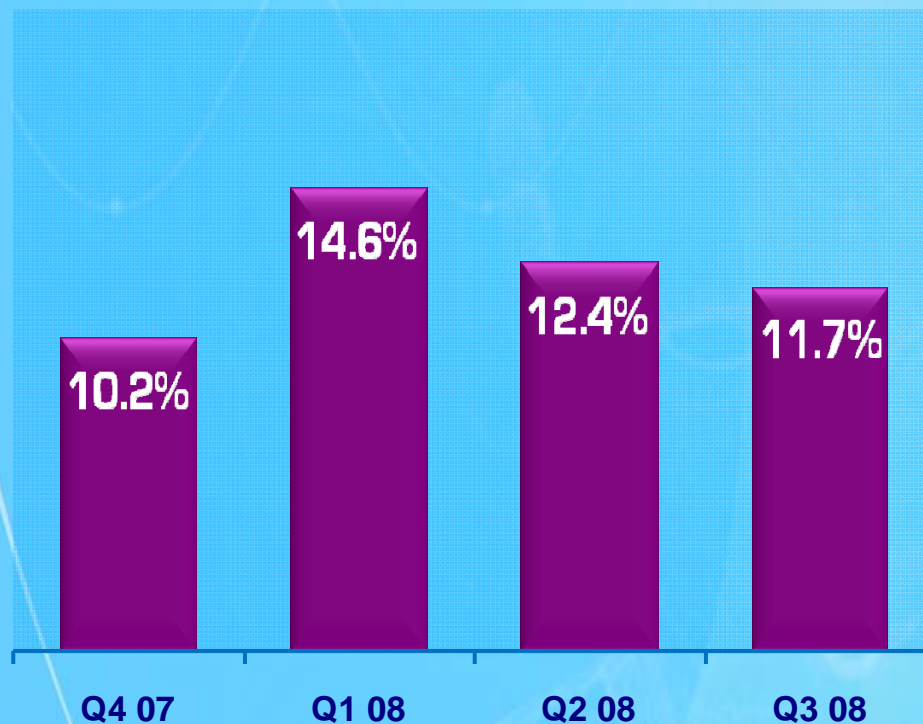
Product mix **Milk**

Market shares **↗**

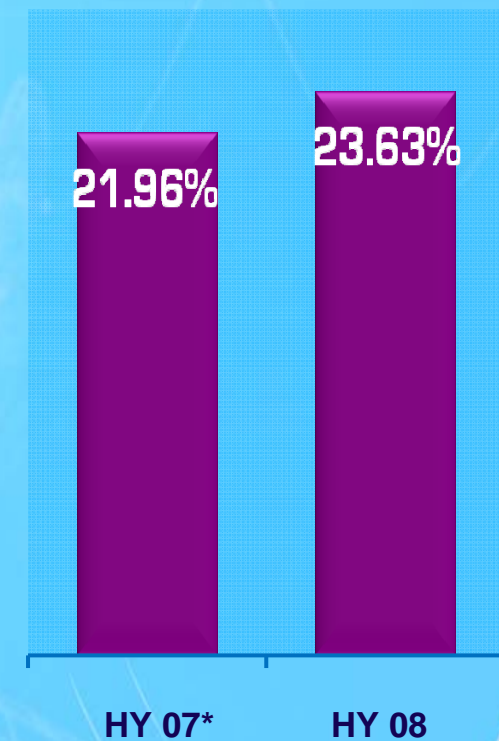
Danone **+ 10%**

MEDICAL – Strong double-digit growth at high margins

Sales growth



EBIT Margin %



* Pro forma

MEDICAL – Increasing market shares Europe & WW

Market growth

WW **+5.5%**

Europe **+8%**



MEDICAL – Key elements for sustainable growth

External

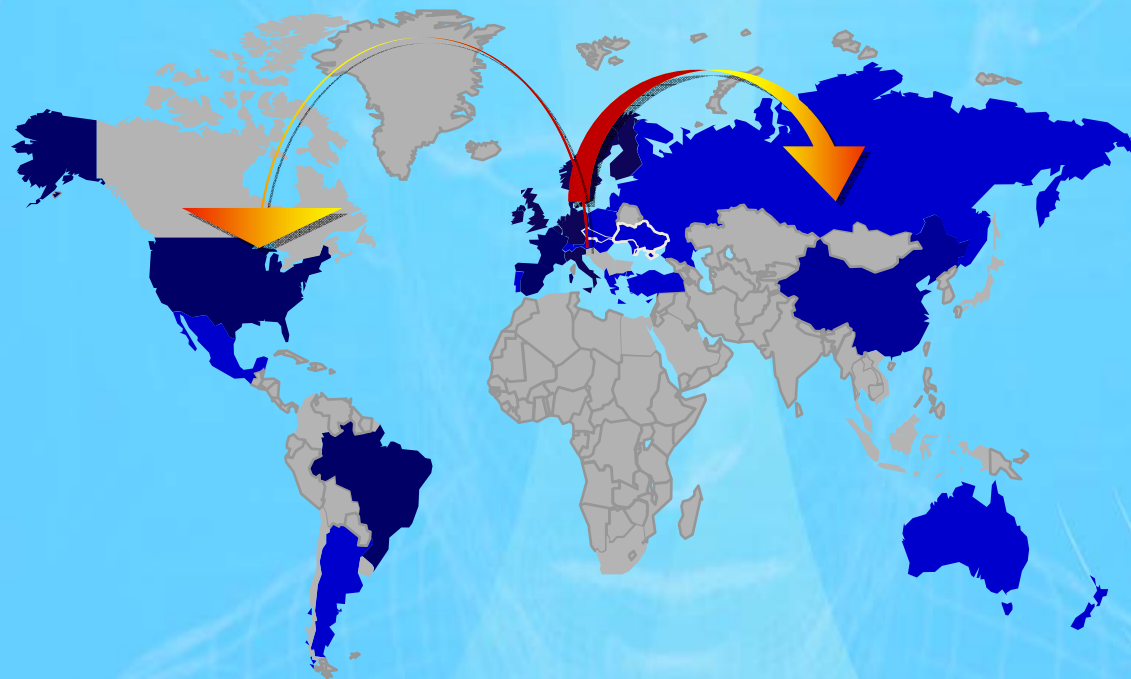
- Ageing population
- Growing population
- Lifestyle diseases exploding
- Increasing role of nutrition in disease management
- Geographic expansion

Internal

- Strong organisation
- Product range
- Innovation pipeline
- R&D capability

Medical – Product & geographical opportunities

	2004	2008 ytd	2008 YTD
W-Europe		+9.9%	Medical Nutrition +11.5%
E-Europe	+14.5%	+21.9%	Disease targeted +16.7%
Asia	- 7.0%	+32.5%	



More than 5% of sales Between 2% and 5% of sales Less than 2% of sales

Crisis as an opportunity



Slow in

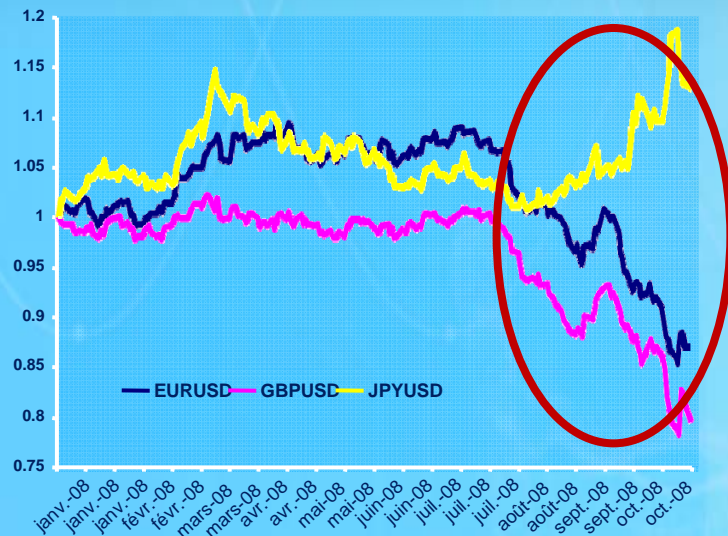


Fast out

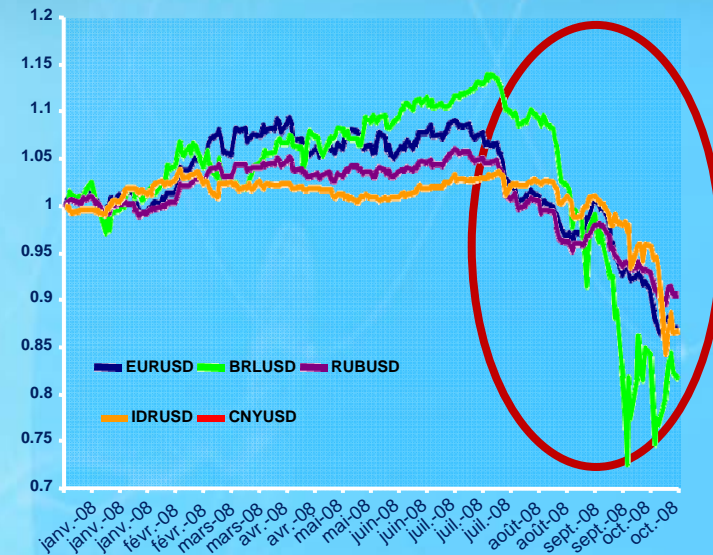


A more volatile financial environment

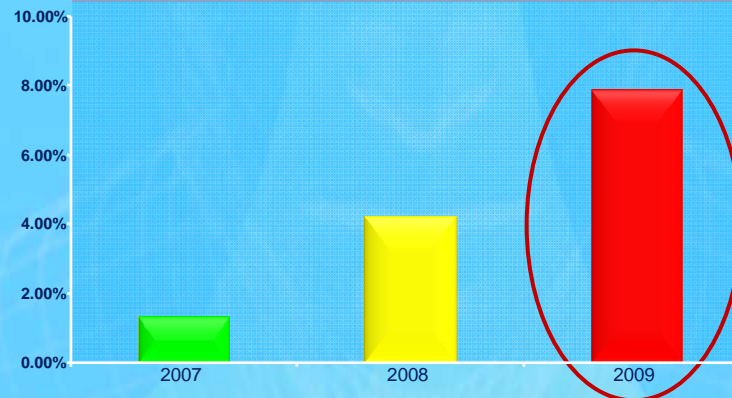
Major currencies / \$



Emerging Currencies / \$

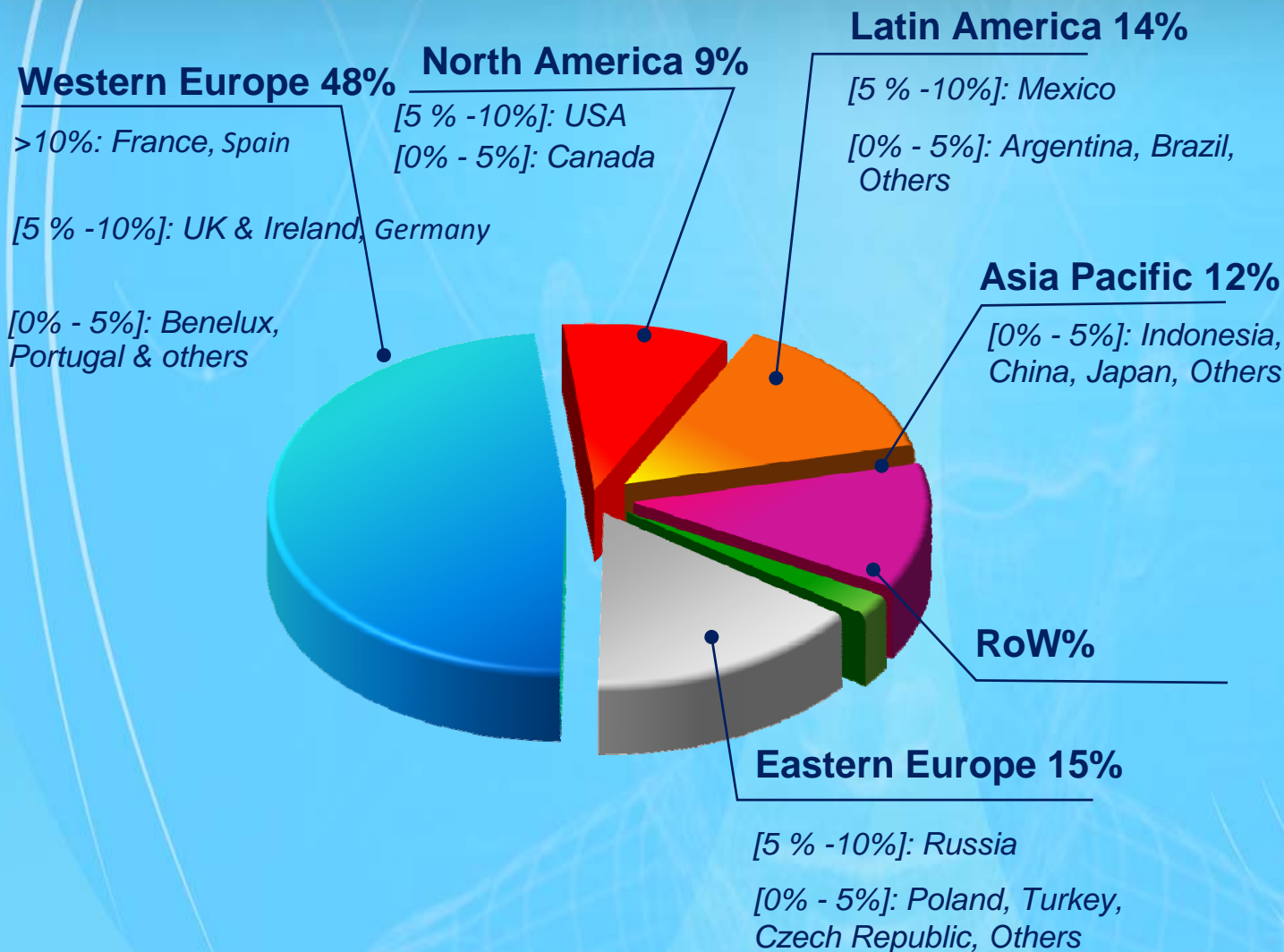


Raising Default rates*



* Source : Moody 's

Mitigated by risk dispersion



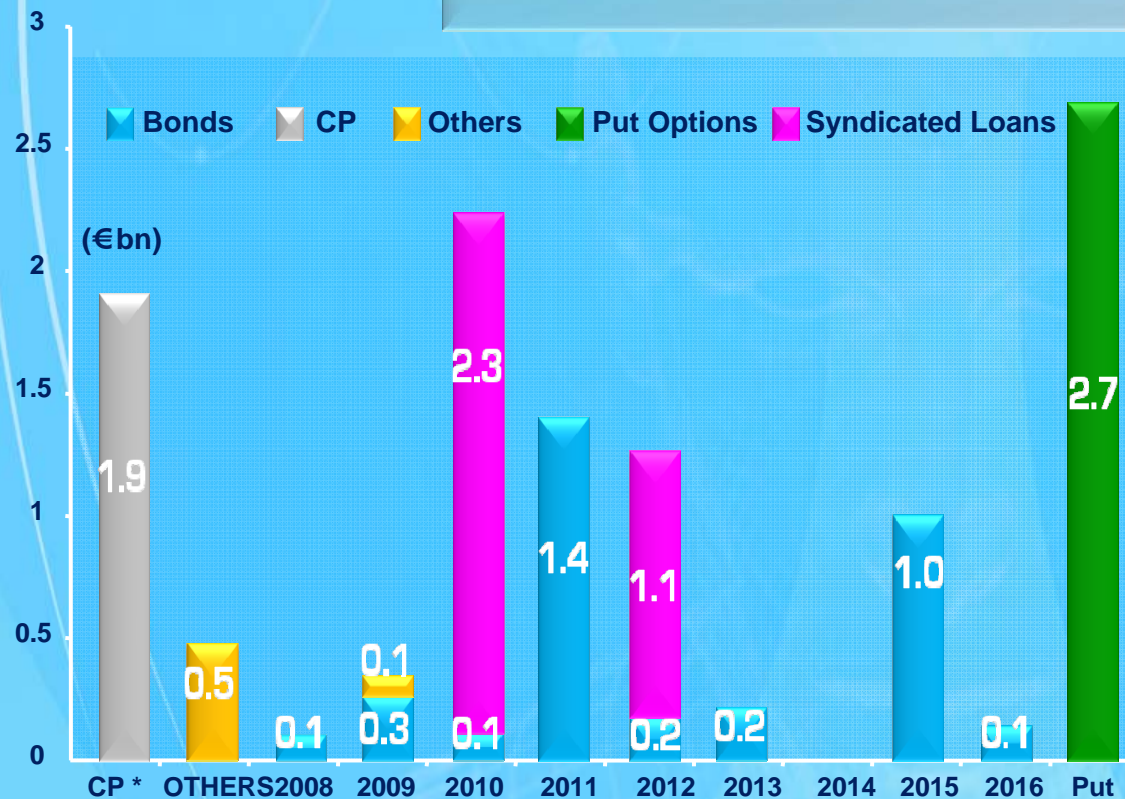
1. **Portfolio well balanced :**
 - **emerging 43%**
 - **western 57%**
2. **Only France and Spain exceed 10% of portfolio**
3. **No other country represents more than 7% sales**

A sound financial structure

Financial Situation (as of 30.09.08)

Financial Net Debt €8.2 bn

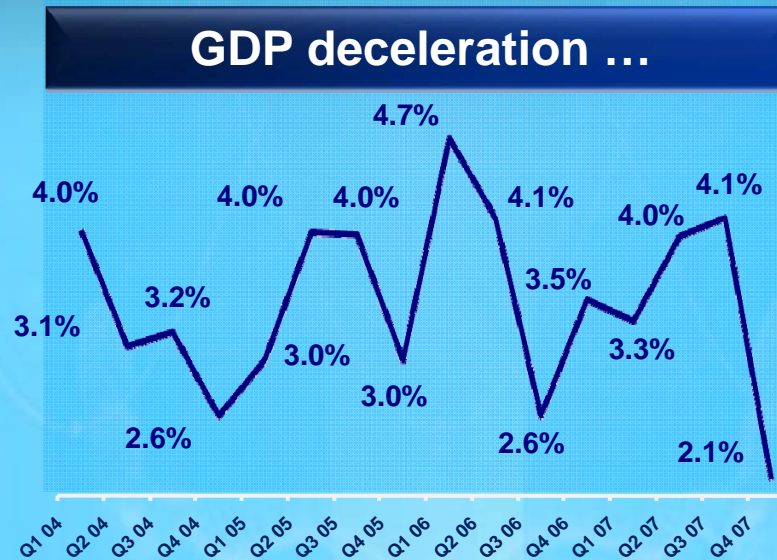
Off-balance sheet commitments €2.7 bn



* Backed up by medium term committed credit facilities

- The next big maturity is in December 2010 with the first tranche of the syndicated credit facility falling due
- Our medium term financing is mainly already secured till Dec 2010 through syndicated facilities. EMTN & bonds issues.

More challenging economic conditions



**-3% GDP
growth on
Danone
scope**

	Portfolio	2007	2008	08 vs 07	2009	09 vs 07
Western Europe	48%	2.6%	0.9%	-1.7%	-0.5%	-3.1%
Eastern Europe	15%	6.5%	5.6%	-0.9%	2.8%	-3.7%
North America	9%	2.0%	1.3%	-0.7%	-0.7%	-2.7%
Latin America	14%	5.2%	3.8%	-1.4%	1.7%	-3.5%
Asia	12%	8.8%	6.9%	-1.9%	5.8%	-3.0%
Japan	2%	2.0%	0.4%	-1.6%	-0.4%	-2.4%
WA Portfolio		4.2%	2.8%	-1.5%	1.0%	-3.2%

How does this impact our categories ?

	MEDIUM TERM	SHORT TERM
Dairy	8-10%	↘
Waters	5-10%	↘
Baby	9-11%	=
Medical	10-12%	=

8-10%

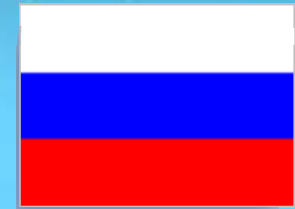
Quickly adapting our model to new market conditions



- Innovation
- Premium price
- TV 30 sec.
- Modern trade & proximity
- Complete Orga

- Reinnovation
- Affordvaluzation
- Personnalisation & credibilization
- Ubiquation
- Leanization

Re-innovation: A new BB in Dairy



Sept 08: €2.2 mln



Sept 08: €2 mln
4th WW performance

**Danacol:
Success in Russia & Argentina**

Re-innovation

Extending best success from Bledina & Numico

Roll out best innos Blédina/Numico

- Cereals +

Biscuits



- Meals 12 mnths + bols



- Fruits



- Soups

2009:
Poland, Czech
Turkey



- Desserts

2008/2009
UK, Ireland, Spain,
The Netherlands, Czech



Affordvaluization: Activia for CDE classes



R\$0.79 / 100g



R\$0.79 / 100g

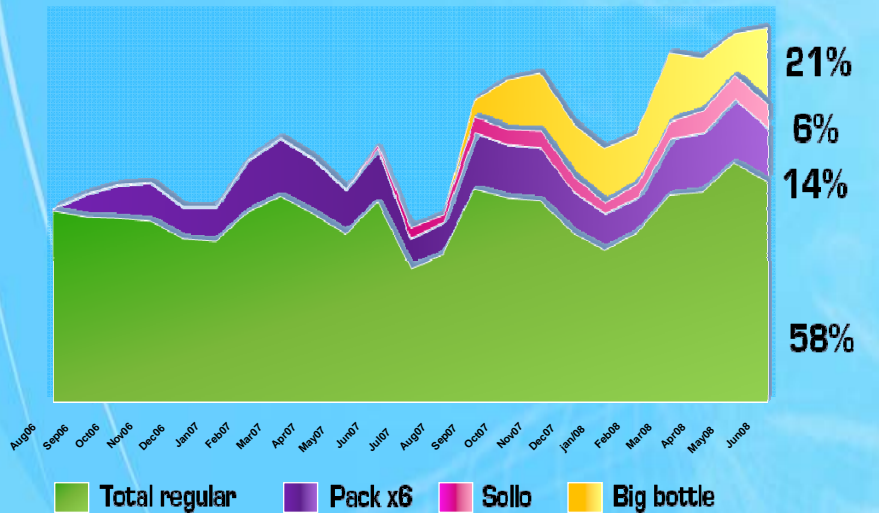


R\$1.00 / 100g

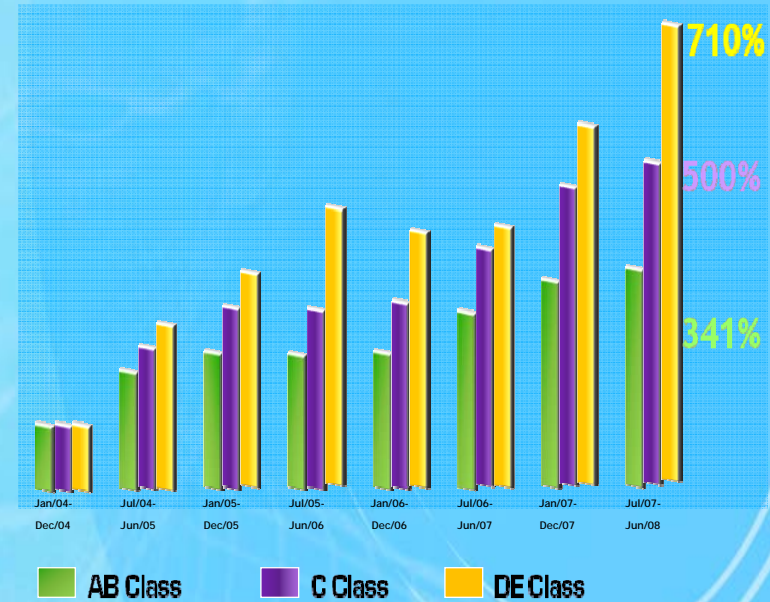


+ 51%
No cannibalization

Volume Evolution (Tons/Day)



Penetration increase speed in lower SEL



2008 targets

Target 2008

Sales growth FY 08* **+8% to +10%**

*[Sales growth Q4 08** *+5% to +6%]*

EBIT margin* **+40 bps to +50 bps**

Underlying EPS growth** **at least +15%**

* On a like-for-like basis

** versus pro forma

Medium-term guidance

Medium-term guidance

Sales growth*

+8% to +10%

EBIT margin*

improving

** On a like-for-like basis*

2009 guidance

2009 guidance

Sales growth*

**« A few points below
Medium-Term guidance »**

EBIT margin*

Continued improvement

Underlying EPS growth

Double-digit growth

** On a like-for-like basis*

NOTES

NOTES

NOTES
